

Message Text

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64

ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 CIAE-00 DODE-00 PM-03 H-02

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2580

INFO AMEMBASSY BONN

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AMEMBASSY MADRID

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AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

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E.O. 11652: N/A

TAGS: ECON, PO

SUBJ: OBLIGATORY REGISTRY OF TRANSFERABLE SECURITIES

1. DECREE JUST APPROVED FOR PUBLICATION ESTABLISHES SYSTEM OF OBLIGATORY REGISTRATION OF BEARER (UNREGISTERED TRANSFERABLE) SECURITIES. LENGTHY PREAMBLE SAYS SYSTEM IS DESIGNED TO: A. CORRECT TAX INJUSTICES. BY NOT INCLUDING DIVIDENDS FROM BEARER SECURITIES IN THEIR TOTAL INCOME, THOSE EARNING MORE THAN 20,000 DOLLARS A YEAR HAVE BEEN ABLE TO AVOID COMPLEMENTARY TAX RATES WHICH WOULD BE HIGHER THAN EFFECTIVE 22 PERCENT TAX PAID BY COMPANIES ON THE DIVIDENDS. CONCEALMENT OF UNREGISTERED SECURITIES OR REINVESTMENT OF PROFITS IN FAMILY FIRMS HAVE BEEN WIDESPREAD MEANS OF AVOIDING INHERI-
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TANCE AND GIFT TAXES.

B. IDENTIFY POWER CENTERS AND FOREIGN CAPITAL MOVEMENTS.
ANONYMITY HAS HAMPERED IDENTIFICATION AND CONTROL OF PRIVATE
ECONOMIC POWER CENTERS AND MOVEMENT OF FOREIGN CAPITAL.
NON-REGISTRATION HAS EASED TRANSFERS AND OBTAINING OF LIQUID
CAPITAL WHICH WOULD OTHERWISE REMAIN OUTSIDE SYSTEM, BUT IS
NOT INDISPENSABLE CONDITION. REGISTRATION WILL FACILITATE
COMMUNICATIONS BETWEEN COMPANY AND STOCKHOLDERS, AS WELL AS
ALLOW MANAGEMENT TO IDENTIFY POSSIBLE HOLDINGS WHICH MIGHT
THREATEN COMPANY'S POSITION.
C. END SPECULATION. FOR REAL INVESTOR, REGISTRATION
WILL NOT GREATLY HAMPER INFREQUENT TRANSFERS, AND WILL PROVIDE
GREATER SECURITY AGAINST LOSS OR THEFT, BUT WILL HAMPER
SPECULATOR.

2. IN ORDER NOT TO OVERBURDEN NEW SYSTEM, PRESENT NOMINATIVE
(REGISTERED) SHARES WILL FOR AT LEAST SIX-MONTHS' PERIOD BE
EXEMPT FROM NEW--AND TOUGHER--REGISTRATION REQUIREMENTS. ALL
CURRENTLY NON-REGISTERED SECURITIES MUST BE REGISTERED BY
SEPTEMBER 30. ANY SECURITIES UNREGISTERED WITHIN FIVE YEARS
WILL REVERT TO STATE, AND PENALTIES FOR VIOLATIONS ARE SEVERE.

3. COMMENT:

A. MEASURE APPEARS TO BE SOUND REFORM OF A SYSTEM
WHICH WAS OPEN TO GREAT SPECULATION AND ABUSE. IN CONTRAST
TO MANY COUNTRIES WITH STOCK MARKETS, MAJORITY OF SHARES ON
LISBON BOLSA (STOCK EXCHANGE) WERE BEARER SECURITIES. THESE
ENJOYED A PREMIUM IN PRICE OVER REGISTERED STOCK SHARES (IN
EXTREME CASE, 89 PERCENT PREMIUM).
B. STOCK TRADING ON BOLSA HAD REACHED A FEVER PITCH OF
SPECULATION IN 1973, AND EVEN THOUGH IN 1974 PRICES
HAD DROPPED CONSIDERABLY WHEN STOCK EXCHANGE WAS CLOSED DUE TO
APRIL 25 COUP, THEY WERE STILL EXTREMELY SPECULATIVE. MOST
EXTREME EXAMPLE WAS CIMENTO TEJO, QUOTED AT ITS 1973 PEAK AT
MORE THAN 7,500 DOLLARS PER UNREGISTERED SHARE, 7,000 TIMES
EARNINGS; ON APRIL 24, 1974 PRICE WAS STILL 3,000 TIMES EARNINGS.
MOST STOCKS WERE SELLING FOR AT LEAST 100 TIMES EARNINGS.
C. IN APRIL 21 PRESS CONFERENCE, PLANNING AND ECONOMIC
COORDINATION MINISTER MARIO MURTEIRA STATED THAT STOCK EXCHANGE
WHICH HAS BEEN CLOSED FOR ALMOST A YEAR, MAY EVENTUALLY REOPEN,
BUT NOT IN NEAR FUTURE.
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